momentum
global investment management

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GLOBAL MATTERS
MONTHLY MARKET UPDATE

October 2020

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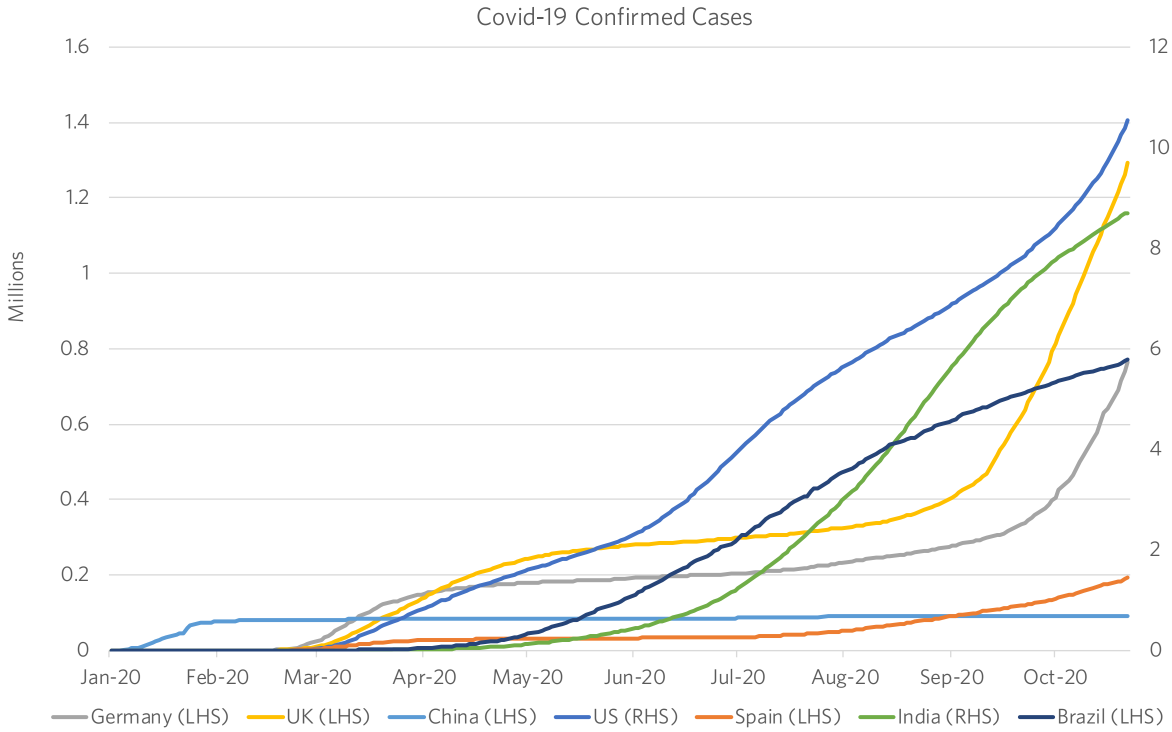
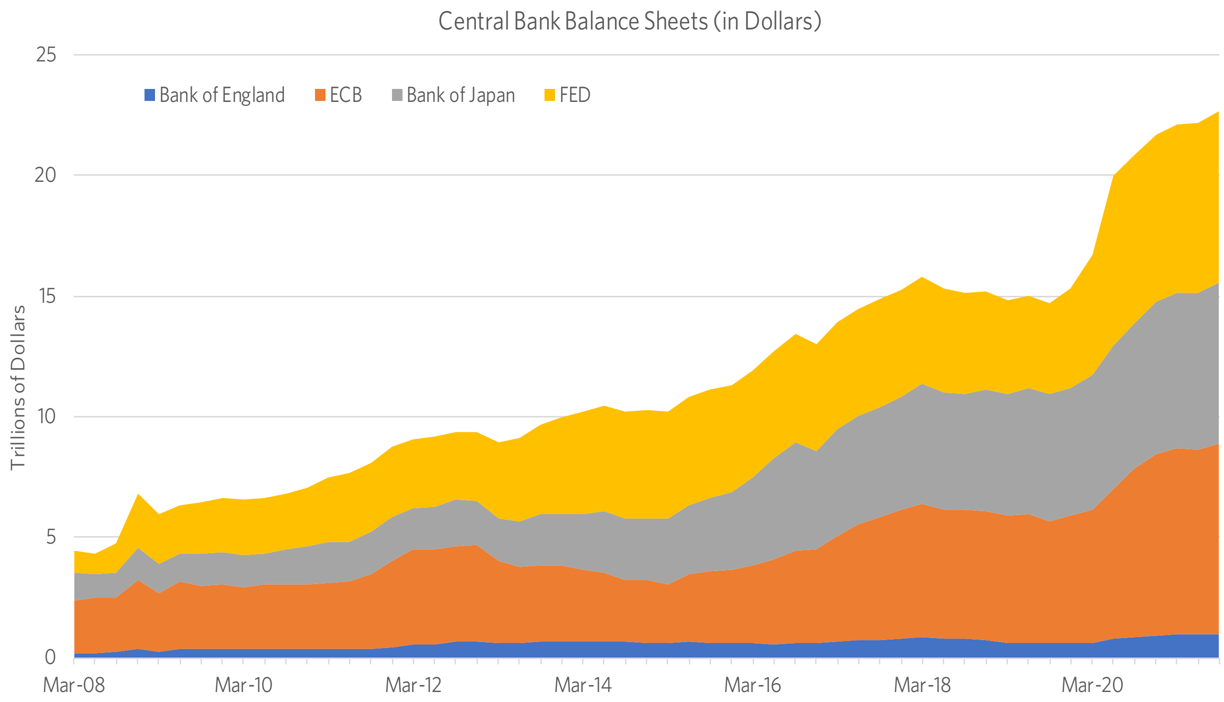
Market Commentary - October 2020

Despite a positive start to the month, risk assets sold off as the month progressed, weighed down by the rapid rise in coronavirus cases across Europe and the US, and uncertainty ahead of the US Presidential election. The 'fear' index, the Vix, rose from 26 at the start of October to 38 at the end, the highest for over 4 months. Led by European markets, down over 5%, the MSCI World index returned -3.1%, with the US down 2.7%. In contrast, Asian markets performed relatively well, encouraged by the success of several major countries in the region, including China, South Korea, Japan and Taiwan, in containing the virus. China again outperformed, up over 5%, which in turn pulled the Asia ex Japan and Emerging Markets indices up by over 2% in the month and into positive territory for the year to date.



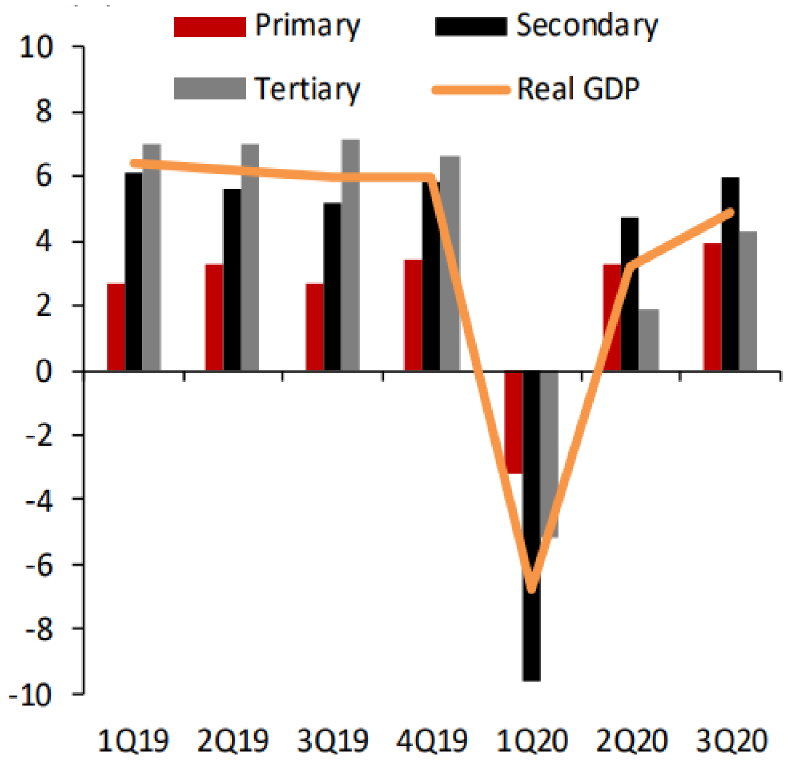
Source: Bloomberg, Momentum Global Investment Management

As large parts of Europe faced dramatic second waves of covid and renewed restrictions on activity, including national lockdowns, the resultant economic damage brought the recovery to a halt, and pushed investors into government bonds. A signal from the ECB that further monetary easing and liquidity injections would be announced in December helped to drive longer term yields lower. The Euro government bond index returned 1% in October. In contrast bond yields rose and the yield curve steepened in US Treasuries as investors began to anticipate a 'blue wave' in the US elections, giving the Democrats the Presidency and a clean sweep of Congress. This would reduce trade tensions between the US and China and deliver a much-needed substantial fiscal package, pushing growth expectations up and Treasuries down, with the yield on the 10 year bond rising by 20bps over the month to 0.9%, the highest for 5 months.



Source: Thomson Reuters, Momentum Global Investment Management

The economic recovery from the lockdown-induced slump continued, led by China, now largely back to pre-covid levels, and the US, but faded in Europe as new and increasingly strict restrictions took their toll on spending and confidence. Fears about the course and impact of the virus and the scale of damage from second and potentially third waves continued to worry investors, adding to uncertainty surrounding the looming election in the US, the biggest concern being a contested election result and weeks of political paralysis or worse.



Source: DBS Group Research

Of much greater certainty is the direction of monetary policy. With the Fed committed to keeping interest rates near zero until 2023 and asset purchases at current levels of $120bn per month for some time ahead, and both the ECB and Bank of England signalling that measures will be taken to ease policy further before year end, alongside commitments to do more if necessary, it is certain that monetary policy will provide substantial liquidity and on-going support for the foreseeable future.

With deadlines in the UK-EU Brexit negotiations coming and going, the talks were stepped up as the immovable deadline of 31st December, the end of the transition period, came into sight. If no deal can be agreed before then the UK will trade with the EU on WTO terms, something that would be unwelcome and disruptive to both sides. The most likely outcome, while by no means certain, is that a trade deal will be struck, albeit at the classic EU-style 11th hour. The fact the sterling appreciated modestly in the month against both the USD and euro showed where the market consensus is moving on the issue. However, UK assets remain under a cloud, with the equity market down 5.3% in October, taking its year-to-date decline to 25%, by far the weakest of the major markets. Until a deal is finalised and the uncertainty removed, the equity market will remain constrained but the low valuation relative to global markets is giving rise to a good buying opportunity.

The second wave of the pandemic, and the uncertainties around the US election and the Brexit negotiations, give cause for some short-term volatility in markets. However, 2021 promises to be a year of strong recovery, and risk assets will have continuing support from ultra-loose monetary policy as well as additional fiscal stimulus across much of the developed world. Furthermore, markets are still not discounting the roll-out of a vaccine; any good news on this front would be a major boost to confidence and sentiment and might well herald a period of significant outperformance by value stocks over growth. We therefore expect markets to move higher through 2021 and would use setbacks in the weeks ahead as a buying opportunity.

Market Performance - Global (local returns)

			To 30 October 2020			
Asset Class / Region	**Index**	**Currency**	**1 month**	**3 months**	**YTD**	**12 months**
Developed Markets Equities						
United States	S&P 500 NR	USD	-2.7%	0.3%	2.3%	9.1%
United Kingdom	MSCI UK NR	GBP	-5.3%	-5.4%	-25.5%	-22.3%
Continental Europe	MSCI Europe ex UK NR	EUR	-5.2%	-3.2%	-12.6%	-8.9%
Japan	Topix TR	JPY	-2.8%	6.5%	-6.2%[e]	-2.9%
Asia Pacific (ex Japan)	MSCI AC Asia Pacific ex Japan NR	USD	2.4%	3.9%	5.2%	11.8%
Global	MSCI World NR	USD	-3.1%	-0.2%	-1.4%	4.4%
Emerging Markets Equities						
Emerging Europe	MSCI EM Europe NR	USD	-9.7%	-16.3%	-35.5%	-31.5%
Emerging Asia	MSCI EM Asia NR	USD	3.3%	5.4%	11.6%	20.1%
Emerging Latin America	MSCI EM Latin America NR	USD	-1.1%	-12.0%	-36.8%	-33.1%
China	MSCI EM China NR	USD	3.4%	4.1%	5.5%	13.9%
BRICs	MSCI BRIC NR	USD	5.3%	8.2%	22.6%	35.2%
Global emerging markets	MSCI Emerging Markets NR	USD	2.1%	2.6%	0.9%	8.3%
Bonds						
US Treasuries	JP Morgan United States Government Bond TR	USD	-1.0%	-2.1%	8.3%	7.2%
US Treasuries (inflation protected)	BBgBarc US Government Inflation Linked TR	USD	-0.7%	-0.1%	9.0%	9.5%
US Corporate (investment grade)	BBgBarc US Corporate Investment Grade TR	USD	-0.2%	-1.8%	6.4%	7.1%
US High Yield	BBgBarc US High Yield 2% Issuer Cap TR	USD	0.5%	0.4%	1.1%	3.4%
UK Gilts	JP Morgan UK Government Bond TR	GBP	-0.6%	-2.3%	7.8%	5.3%
UK Corporate (investment grade)	ICE BofAML Sterling Non-Gilt TR	GBP	0.1%	-0.3%	4.7%	4.4%
Euro Government Bonds	ICE BofAML Euro Government TR	EUR	1.0%	1.6%	4.7%	2.8%
Euro Corporate (investment grade)	BBgBarc Euro Aggregate Corporate TR	EUR	0.8%	1.3%	1.6%	1.3%
Euro High Yield	BBgBarc European High Yield 3% Constrained TR	EUR	0.2%	1.1%	-2.6%	-0.7%
Japanese Government	JP Morgan Japan Government Bond TR	JPY	-0.2%	-0.4%	-1.1%	-1.8%
Australian Government	JP Morgan Australia GBI TR	AUD	0.2%	0.7%	5.2%	3.5%
Global Government Bonds	JP Morgan Global GBI	USD	-0.3%	-1.0%	7.0%	5.9%
Global Bonds	ICE BofAML Global Broad Market	USD	-0.2%	-0.8%	5.9%	5.5%
Global Convertible Bonds	ICE BofAML Global Convertibles	USD	0.0%	4.6%	17.1%	22.2%
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	USD	-0.5%	-2.1%	0.8%	3.8%

Source: Bloomberg, Momentum GIM. Past performance is not indicative of future returns. e= estimate

			To 30 October 2020			
Asset Class / Region	**Index**	**Currency**	**1 month**	**3 months**	**YTD**	**12 months**
Property						
US Property Securities	MSCI US REIT NR	USD	-2.6%	-5.2%	-20.0%	-22.0%
Australian Property Securities	S&P/ASX 200 A-REIT Index TR	AUD	-0.4%	5.6%	-18.0%	-21.1%
Asia Property Securities	S&P Asia Property 40 Index NR	USD	-3.6%	-1.7%	-20.8%	-19.2%
Global Property Securities	S&P Global Property USD TR	USD	-2.9%	-3.1%	-19.9%	-19.4%
Currencies						
Euro		USD	-0.6%	-1.1%	3.9%	4.4%
UK Pound Sterling		USD	0.2%	-1.1%	-2.3%	0.0%
Japanese Yen		USD	0.8%	1.1%	3.8%	3.2%
Australian Dollar		USD	-1.9%	-1.6%	0.1%	1.9%
South African Rand		USD	3.1%	5.1%	-13.8%	-7.1%
Commodities & Alternatives						
Commodities	RICI TR	USD	-1.8%	1.2%	-20.8%	-17.5%
Agricultural Commodities	RICI Agriculture TR	USD	3.6%	11.9%	3.2%	7.4%
Oil	Brent Crude Oil	USD	-8.5%	-13.5%	-43.2%	-37.8%
Gold	Gold Spot	USD	-0.4%	-4.9%	23.8%	24.2%
Hedge funds	HFRX Global Hedge Fund	USD	-0.1%[e]	1.3%[e]	1.6%[e]	3.9%[e]
Interest Rates				**Current Rate**		
United States				0.25%		
United Kingdom				0.10%		
Eurozone				0.00%		
Japan				-0.10%		
Australia				0.25%		
South Africa				3.50%		

Source: Bloomberg, Momentum GIM. Past performance is not indicative of future returns. e=estimate

Market Performance - UK (all returns in GBP)

			To 30 October 2020			
Asset Class / Region	**Index**	**Local Currency**	**1 month**	**3 months**	**YTD**	**12 months**
Equities						
UK - All Cap	MSCI UK NR	GBP	-5.1%	-5.2%	-25.5%	-22.2%
UK - Large Cap	MSCI UK Large Cap NR	GBP	-5.6%[e]	-7.4%	-27.7%	-25.1%
UK - Mid Cap	MSCI UK Mid Cap NR	GBP	-3.6% [e]	1.8%	-19.2%	-13.5%
UK - Small Cap	MSCI Small Cap NR	GBP	-1.4%	2.0%	-21.6%	-14.0%
United States	S&P 500 NR	USD	-2.9%	1.5%	4.8%	9.0%
Continental Europe	MSCI Europe ex UK NR	EUR	-6.0%	-3.2%	-7.1%	-4.8%
Japan	Topix TR	JPY	-2.3% [e]	9.0% [e]	-1.0% [e]	0.1%
Asia Pacific (ex Japan)	MSCI AC Asia Pacific ex Japan NR	USD	2.2%	5.1%	7.8%	11.8%
Global developed markets	MSCI World NR	USD	-3.3%	1.1%	1.0%	4.3%
Global emerging markets	MSCI Emerging Markets NR	USD	1.8%	3.9%	3.4%	8.2%
Bonds						
Gilts - All	ICE BofAML UK Gilt TR	GBP	-0.6%	-2.3%	7.5%	5.1%
Gilts - Under 5 years	ICE BofAML UK Gilt TR 0-5 years	GBP	-0.1%	-0.2%	1.4%	1.3%
Gilts - 5 to 15 years	ICE BofAML UK Gilt TR 5-15 years	GBP	-0.3%	-1.1%	4.9%	3.3%
Gilts - Over 15 years	ICE BofAML UK Gilt TR 15+ years	GBP	-1.0%	-3.9%	11.5%	7.4%
Index Linked Gilts - All	ICE BofAML UK Gilt Inflation-Linked TR	GBP	0.7% [e]	-2.2%	10.6%	6.7%
Index Linked Gilts - 5 to 15 years	ICE BofAML UK Gilt Inflation-Linked TR 5-15 years	GBP	-0.2%	-0.6% [e]	5.2%	2.7%
Index Linked Gilts - Over 15 years	ICE BofAML UK Gilt Inflation-Linked TR 15+ years	GBP	1.1%	-3.1%	14.1%	9.3%
UK Corporate (investment grade)	ICE BofAML Sterling Non-Gilt TR	GBP	0.1%	-0.3%	4.7%	4.4%
US Treasuries	JP Morgan US Government Bond TR	USD	-1.0% [e]	-0.6% [e]	10.9% [e]	7.3%
US Corporate (investment grade)	BBgBarc US Corporate Investment Grade TR	USD	-0.2%	-1.8%	6.4%	7.1%
US High Yield	BBgBarc US High Yield 2% Issuer Cap TR	USD	0.5%	0.4%	1.1%	3.4%
Euro Government Bonds	ICE BofAML Euro Government TR	EUR	1.0%	1.6%	4.7%	2.8%
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Euro High Yield	BBgBarc European High Yield 3% Constrained TR	EUR	0.2%	1.1%	-2.6%	-0.7%
Global Government Bonds	JP Morgan Global GBI	GBP	-0.5%	0.2%	9.6%	5.9%
Global Bonds	ICE BofAML Global Broad Market	GBP	-0.2%	-0.8%	5.9%	5.5%
Global Convertible Bonds	ICE BofAML Global Convertibles	GBP	0.0%	4.6%	17.1%	22.2%
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	GBP	-0.7%	-1.0% [e]	3.3%	3.8%

Source: Bloomberg, Momentum GIM. Past performance is not indicative of future returns.

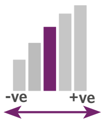
		To 30 October 2020				
Asset Class / Region	Index	Local Currency	1 month	3 months	YTD	12 months
Property						
Global Property Securities	S&P Global Property TR	GBP	-3.2%	-1.9%	-17.9%	-19.4%
Currencies						
Euro		GBP	-0.8%	-0.1%	6.3%	4.4%
US Dollar		GBP	-0.2%	1.0%	2.4%	-0.1%
Japanese Yen		GBP	0.5%	2.2%	6.3%	3.1%
Commodities & Alternatives						
Commodities	RICI TR	GBP	-2.0%	2.4%	-18.8%	-17.5%
Agricultural Commodities	RICI Agriculture TR	GBP	3.3%	13.3%	5.8%	7.4%
Oil	Brent Crude Oil	GBP	-8.7%	-12.4%	-41.8%	-37.8%
Gold	Gold Spot	GBP	-0.6%	-3.8%	26.9%	24.1%
Interest Rates				**Current Rate**		
United Kingdom				0.10%		
United States				0.25%		
Eurozone				0.00%		
Japan				-0.10%		

Source: Bloomberg, Momentum GIM. Past performance is not indicative of future returns.

Asset Allocation

Equities

Developed Equities



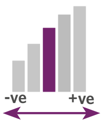
» Sentiment has changed markedly in recent weeks in the wake of the US election and following the announcement of a safe and highly effective vaccine. Undoubtedly risks remain to the global economy but this newsflow puts risk markets on the front foot again after faltering in October

» Policy measures remain accommodative and are likely to remain so for some time
Where mandates allow we continue to protect portfolios whilst retaining upside should the rally extend

+ Despite lofty index valuations in some markets and sectors, which have recently reversed somewhat, global equities still offer selective regional and sectoral value, particularly following recent developments

– Earnings will continue to be impacted, or fail to recover, if vaccine development proves less effective or more difficult to roll out than currently thought

UK Equities



» Brexit and Covid 19 continue to drive risk appetite in the UK today, with UK assets still out of favour with international investors. With the Brexit negotiations close to the 31st December deadline the UK is at risk of defaulting to WTO trade terms if no agreement is reached

» The UK market's larger cap constituents are more globally focused than they are UK, and have earnings shielded in large part from FX swings, which makes them less sensitive when/if those issues resurface. Thus the UK is not unattractive when thinking beyond 2020, and the recent style rotation could help UK equities edge higher

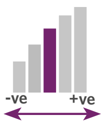
+ Most UK assets remain at a multi decade discount to the global index. Long term investors can buy into some great UK businesses at today's levels

+ The UK has lagged the recovery and offers some scope for a cyclically led catch up should the good vaccine news continue

– UK Plc is having to deal with an extraordinary fallout from the Covid-19, with the high street already under extreme pressure

– The banks and energy heavy UK index may continue to struggle against this backdrop, moreso if the recent rotation loses momentum

European Equities



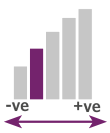
» Europe was hard hit by the first lockdown and is now dealing with secondary lockdowns as cases re-emerge. The E750bn European Recovery Fund augurs well for a more unified cross European political response to the crisis

» The more buoyant backdrop, if it continues, should help support European risk assets and we lift our assessment

+ Continued ECB asset purchases and policy stimulus will provide support to risk assets in the region

– The ECB has little room to manouvre with rates at current levels; more devolved fiscal action and helicopter money may be needed longer term

US Equities



» With the election behind us, and a vaccine seemingly to come soon, two major risks have been mitigated. We still view the US market in aggregate as somewhat expensive, but active stockpickers have opportunities today. Valuation keeps the US view in check for now however

+ The US remains one of the higher quality markets, and the Dollar something of a haven should the recent positive sentiment wane. It is a natural home for those looking to add to their equity allocations, and that could keep US equities supported despite froth in some places

+ The Fed stimulus is constructive for credit, risk assets and by extension should be constructive for equities

– US equity valuations remain elevated vs other regions today, despite some froth coming out of the stay at home stocks in recent weeks

– The US now has by far the highest rate of reported infections and vaccine complacency is a risk

– Trade and geopolitical risks remain, even with Biden soon to be in the White House

Japanese Equities

» Japanese equities had lagged the broader market, and asian equities, during the summer rebound but have since performed better. At a high level, and considering demographics and locality, Japan has probably had a better outcome from the virus to date than many might have expected

+ BoJ ETF buying remains supportive for Japanese risk assets. Asia has stayed ahead of other global regions in the global Corona-cycle which may help Japan be on the front foot for a more sustained rebound in activity, should it prove to have legs

– IIn a protracted risk off scenario Yen strength resulting from its safe haven status would hurt Japanese equities

Emerging Market Equities

» On a longer term view we remain in favour of EM assets more generally over DM but recognise the continuing risks to developing economies from the Coronavirus, and the potential for lower reporting and testing rates in these markets

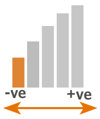
» EM equities have continued to outpace global equities over the last month, proving quite resilient on market weakness, and stand to gain further if a sustained rebound materialises

+ EM currencies remain down for the year, and have traded somewhat in a range over the recent months. At a lower level, for businesses that earn foreign income this translates into better earnings that helps in some way to offset weaker revenues that will likely eventuate through 2020

– Emerging markets remain prone to bouts of volatility and flow reversal at times of heightened perceived risk. Negative newsflow and any reversal in the recent pick up in sentiment, would likely crimp returns

Fixed Income

Government



» DM government bond prices remain high following the supernormal moves in bond markets through the Coronavirus-striken first half of the year. On the most painful days for risk assets they struggled to provide the level of diversification expected, and liquidity has also been tested, but the policy response has largely alleviated this problem, for now. Cash may prove a better diversifier until a higher level of yields and curves are reached

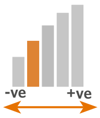
+ Quality government bonds remain one of the better diversifiers, over the long term, in a multi asset portfolio, even when they are optically expensive. For that reason we advocate having at least some exposure depsite extreme valuations

− Liquidity in the treasury market has been tested several times over the last year, both in the cash treasury market and repo. This causes some concern, but can be allayed with unlimited Fed firepower, which has been provided

− Any spike in inflationary expectations, increasingly a concern among investors albeit still small, could see 'risk free' bonds sell off sharply, more so now that the Fed has explicitly acknowledged a move to target average inflation over time

Index-linked

Relative to government



» Inflation linked bonds cheapened in the Covid induced sell off but have rebounded meaningfully in the interim, but still offer value. Whilst near term inflation risk looks limited, over 5 to 10 years we take a more constructive view and view breakevens more favourably at these levels, preferring over pure rate risk in select markets

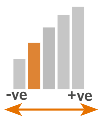
+ Index linked bonds are one of the few ways to meaningfully protect against inflation risk, and with the amount of money pumped into the system, and more scope for helicopter style money, it is a more meaningful concern down the line

+ The Fed's inflation stance has changed, and is likely to mean periods of higher inflation will be tolerated

− Inflationary forces remain muted today

Investment Grade Corporate

Relative to government



» Investment grade bond spreads have largely normalised after the recent tightening, but are likely to remain supported. With yields now near new lows though, longer term real returns are threatened

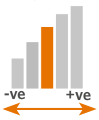
+ Central bank buying of IG bonds provides a tailwind for the asset class; there may still be some upside on the table

− Liquidity remains challenged

− IG is starting to look rich again, and we have taken further profit on recent trades

− The IG universe remains at greater risk of BBB downgrades today given the Corona backdrop

High Yield Corporate



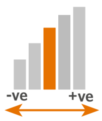
» Like their investment grade corporate cousins, high yield spreads have tightened meaningfully, but still offer some value and a reasonable yield. We are mindful of the more equity like characteristics of the asset class, and sensitivity of the (US) index to energy

+ Maturity profiles have been extended in the recent good years, and rates policy and stimulus measures will be directed to keep credit markets functioning, as evidenced by the Fed stepping in to buy HY ETFs - largely to support 'fallen angels'

− Any further weakness in equity markets, for which there is a real possibility at this time, will likely hit HY bonds more than IG

− There is still a meaningful amount of energy exposure in US high yield markets which remains sensitive to any renewed pressure on oil prices

Emerging Market Debt



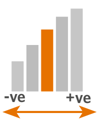
» The asset class continues to look optically attractive, yields well, and we continue to rate favourably. Risks clearly remain and some EM countries still have concerningly high and growing Covid infection rates, so as with EM equity some caution recommended

+ Despite recent strength we believe EM bonds continue to offer some of the best longer term real return opportunities in bond markets today, and implied default rates look excessive

− Any renewed Dollar strength may weigh on EM assets, with local bonds and FX likely bearing the brunt

− EM governments will come under more pressure if Corona related expenditure and support continues to rise

Convertible Bonds



» Convertible bonds did a good job of limiting capital loss in Q1 and have tracked equities up almost one for one as risk prices recovered in Q2. The perfect outcome

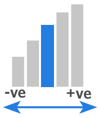
» We continue to favour an allocation to convertibles in a multi asset portfolio for the convexity the asset class brings, but after the recent strong run we're happy to take some profit

+ The natural convexity provided by convertibles should continue to provide reasonable protection against any renewed equity weakness

− With implied vols having gone through the roof through the crisis, any return to more normal levels may crimp future returns

Real Asset / Alternatives

Commodities



» The prices of some commodities continue be buffeted by newsflow, notably so oil which cratered in April and has since rebounded sharply. These risks seem likely to persist in the near term

» Commodity prices are primarily supply and demand driven (Coronavirus and oil a prime example) and idiosyncratic factors can be as important as the global economic cycle

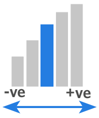
\+ Gold remains a reasonable hedge against risk off outcomes, and both deflationary and inflationary sentiment, as witnessed more recently through the downward pressure on real yields as inflation expectations have ticked higher

\+ Any cyclical upside and a post vaccine ramp up in industrial production should help industrial commodity prices move higher

– Coronavirus is likely to continue to weigh on the industrials commodities sector in the near term, and supply chains remain challenged, until a vaccine is rolled out more widely

– Gold is sensitive to real rates and susceptible to pricing lower on any meaningful move higher in rates, albeit unlikely in the near future

Property



» Property remains an attractive asset class for investors requiring yield and the Q2 price action only improves that. Rental collections are improving and dividends being reinstated, and the vaccine news is a strong positive for the asset class

» When viewed against high quality, longer duration Sterling assets and inflation linked bonds, UK property still holds appeal, with selective industrial, data centres and residential having more attractive fundamentals than under pressure retail and office sectors

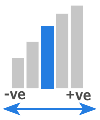
\+ Premium yields and quality assets should attract capital and provide some floor to prices, notwithstanding recent market turbulence

\+ The longer duration qualities of the asset class make it a good diversifier over the long term within multi asset portfolios

– As a long duration asset class property remains susceptible to any repricing in long term bond yields
UK property remains sensitive to eventual Brexit terms, which is just weeks away. The retail & office sectors remain under pressure as a result of COVID-19

– Rent holidays and tenants being unable or unwilling to pay pressures cashflow and ability to pay out income

Infrastructure



» Infrastructure stocks had lagged the Covid rebound and thus remain look reasonably attractive today. Their income generating potential should in the medium term support the sector and attract buyers of quality infrastructure assets, at a time when the need for infrastructure capital and investment remains strong in the medium to longer term
The US election outcome could arguable have been kinder to the asset class (the 'Blue Wave' outcome)

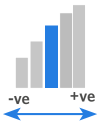
\+ In a multi asset portfolio the usually more defensive nature of the asset class and a degree of inflation protection make the asset class appealing

\+ The asset class offers a decent yield at a reasonable valuation today - both equity and debt flavours

– As a long duration asset class infrastructure remains susceptible to any repricing higher in long term bond yields

– Regulation can work both for and against the underlying investments, and underlying infrastructure stocks remain exposed to these risks

Liquid Alternatives



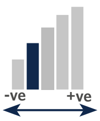
» We define this section as less/non-directional, absolute return type strategies that seek to capture long term risk premia or market mispricings, and includes hedge fund alternatives/systematic strategies in predominantly UCITS vehicles.
We favour owning an allocation to a basket of liquid strategies today to provide additional diversification with high quality bonds having become even more expensive

\+ These strategies provide additional diversification with reasonable return potential, at a time when other traditional diversifiers, such as treasuries, look expensive

– The sector is relatively young and growing. Thorough due diligence is vital, and blend is recommended, as idiosyncratic performance can be unpredictable

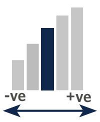
£/€/¥ Currencies*

GBP



» Sterling had a decent run of late, but 'Cable' remains challenged by Brexit and the absence of any agreement with just weeks to go to the year end deadline. The downward bias to base rates is unlikely to lift the currency higher anytime soon, but it remains cheap on long term valuation measures

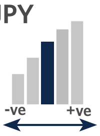
EUR



» The Euro has shown itself to be the favoured carry currency in recent years and 'Covid covering' has helped support it through the tough times. We maintain the more neutral view going forward

» In real terms the common currency looks about fair value today but there is no obvious and imminent catalyst for an uplift, and on balance the local fundamental backdrop appears weak which makes the currency largely unattractive today

JPY



» Rate differentials continue to offer little reason to buy the Yen. However, in real terms the Yen remains cheap today. What sets the Yen apart from Sterling and the Euro is the currency's diversifying qualities at times of risk. However, with the Yen's recent strength in a risk on market, and following positive vaccine news, we pare back the view

*Currencies views are expressed versus the US Dollar

For more information, please contact:

Anastasiya Volodina
Distribution Services

E: distributionservices@momentum.co.uk
T: +44 (0)207 618 1806